

HAMBURG TOWNSHIP LIBRARY  
Livingston County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Hamburg Township Library</b>	County <b>Livingston</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>8/4/04</b>	Date Accountant Report Submitted to State: <b>10/18/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

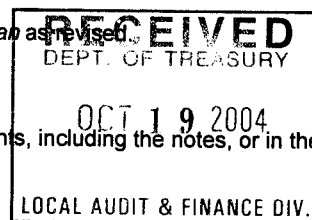
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |



We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Post, Smythe, Lutz, and Ziel, Certified Public Accountants, LLP</b>			
Street Address <b>1034 West Ann Arbor Trail</b>		City <b>Plymouth</b>	State <b>MI</b>
		ZIP <b>48170</b>	
Accountant Signature <i>David R. Williamson, CPA</i>			Date <b>10/18/04</b>

HAMBURG TOWNSHIP LIBRARY  
For the Year Ended June 30, 2004

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FINANCIAL SECTION

# POST, SMYTHE, LUTZ and ZIEL LLP

*Certified Public Accountants*

## PLYMOUTH

Dennis M. Siegner, C.P.A., C.V.A.  
David R. Williamson, C.P.A.  
Jane F. Wang, C.P.A.  
Joseph N. Elder, C.P.A.

**1034 W. ANN ARBOR TRAIL  
PLYMOUTH, MICHIGAN 48170-1502**

**TELEPHONE: (734) 453-8770  
FAX: (734) 453-0312**

## WAYNE

Frank W. Smythe, C.P.A.  
Ronald H. Traskos, C.P.A.  
Kathy Billings, C.P.A.

---

Marty C. Morrison, C.P.A.  
Rana M. Emmons, C.P.A.  
Jennifer A. Galofaro, C.P.A., C.V.A.  
Susan H. Bertram, C.P.A.

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Sharon Walz Duckworth, C.P.A.  
Cari A. Ford, C.P.A.  
Wendy Leung Lee, C.P.A., C.V.A.  
Therese Mulholland, C.P.A.

### Independent Auditor's Report

August 4, 2004

Board of Trustees  
Hamburg Township Library  
Hamburg, Michigan

We have audited the accompanying financial statements of the governmental activities, unit, and the general fund of the Hamburg Township Library, Michigan, a component unit of Hamburg Township, as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamburg Township Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Hamburg Township Library as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Library has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

Board of Trustees  
Hamburg Township Library  
August 4, 2004

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

A handwritten signature in black ink, appearing to read "Post, Smythe, Lutz and Ziel".

POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

# *Hamburg Township Library*

10411 Merrill Rd. Box 247  
Hamburg, MI 48139  
810-231-1771

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## Management's Discussion and Analysis

As management of the Hamburg Township Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Hamburg Township Library for the fiscal year ended June 30, 2004.

### Financial Highlights

- The assets of the Hamburg Township Library exceeded its liabilities at the close of the most recent fiscal year by \$1,478,327 (*net assets*). Of this amount, \$1,455,924 (*unrestricted net assets*) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets increased by \$20,267 from the prior year.
- As of the close of the current fiscal year, the Hamburg Township Library's governmental fund reported ending fund balance of \$1,469,267, an increase of \$8,799 in comparison with the prior year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Hamburg Township Library's basic financial statements. The Hamburg Township Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Hamburg Township Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Hamburg Township Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Hamburg Township Library is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Hamburg Township Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Hamburg Township Library adopts an annual appropriated budget for its general operating fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement can be found on page 13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Hamburg Township Library, assets exceeded liabilities by \$1,478,327 at the close of the most recent fiscal year. The government's net assets increased by \$20,267 during the current fiscal year, with \$13,603 of this increase resulting from the purchase of capital assets.



### Hamburg Township Library's Net Assets

	<u>2004</u>	<u>2003</u>
Current and other assets	\$1,490,737	\$1,476,701
Capital Assets	<u>22,403</u>	<u>9,533</u>
Total Assets	<u>1,513,140</u>	<u>1,486,234</u>
Long-term Liabilities	13,343	11,941
Other Liabilities	<u>21,470</u>	<u>16,233</u>
Total Liabilities	<u>34,813</u>	<u>28,174</u>
Net Assets:		
Invested in capital assets,		
Net of related debt	22,403	9,533
Unrestricted	<u>1,455,924</u>	<u>1,448,527</u>
Total Net Assets	<u>\$1,478,327</u>	<u>\$1,458,060</u>

**Governmental activities.** The Hamburg Township Library's net assets increased by \$20,267 in fiscal year 2004. Key elements of this increase are as follows:

### Hamburg Township Library's Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 14,513	\$ 13,050
Operating Grants and Contributions	97,789	98,253
General Revenues:		
Property Taxes	365,228	348,064
State Shared Revenue	17,969	17,123
Other	<u>27,344</u>	<u>36,363</u>
Total Revenues	522,843	512,853
Expenses	<u>502,576</u>	<u>375,229</u>
Increase in Net Assets	20,267	137,624
Net Assets, July 1	<u>1,458,060</u>	<u>1,320,436</u>
Net Assets, June 30	<u>\$1,478,327</u>	<u>\$1,458,060</u>

## **Financial Analysis of the Government's Funds**

As noted earlier, the Hamburg Township Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Hamburg Township Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Hamburg Township Library's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Hamburg Township Library's general operating fund, reported ending fund balance of \$1,469,267, an increase of \$8,799 in comparison with the prior year. The entire amount of \$1,469,267 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

Key factors in the net increase in fund balance are as follows:

- An increase in the property tax revenues of \$16,927 resulting not from a tax increase, but rather from an increase in the taxable valuations of the property within the community.
- A decrease of interest earned on investments of \$9,019 due to a decrease in current interest rates.

## **General Fund Budgetary Highlights**

The Library Board did not amend their original adopted budget during fiscal year 2004. The original budget projected a net decrease in fund balance of \$72,055. The actual change in fund balance was an increase of \$8,799, resulting in a favorable overall variance of budget to actual of \$80,854, as detailed on page 13 of this report.

## **Capital Assets**

The Hamburg Township Library's investment in capital assets as of June 30, 2004, amounts to \$22,403 (net of accumulated depreciation). This investment in capital assets includes building improvements. The total increase in the Hamburg Township Library's investment in capital assets for the current fiscal year was \$12,870. Major capital asset events during the current fiscal year included building improvements of installation of brick pavers and security windows.

## Hamburg Township Library's Capital Assets

	<u>2004</u>	<u>2003</u>
Buildings and Improvements	\$ 24,603	\$ 11,000
Less: Accumulated Depreciation	<u>(2,200)</u>	<u>(1,467)</u>
Capital Assets, Net	<u>\$ 22,403</u>	<u>\$ 9,533</u>

Additional information on the Hamburg Township Library's capital assets can be found in note IV.B on page 19 of this report.

### *Economic Factors and Next Year's Budget*

- The property tax revenue is projected to increase by \$23,000 in fiscal year 2005 based on an increase in taxable values of property within the community, which is a 6.3% increase.
- Budgeted program expenses were increased in fiscal year 2005 to reflect the increase in the number of programs being offered and the increase in the attendance at these new programs.
- The Library has budgeted for additional expenditures in fiscal year 2005 for items related to operating a larger library facility, including additional book purchases and utilities.
- The Library's circulation increased 10% in fiscal year 2004 from the prior year and the Library projects a similar increase in circulation in fiscal year 2005 as a result of the population growth in the community as well as the newly constructed library facility.

All of these factors were considered in preparing the Hamburg Township Library's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$1,469,267. The Hamburg Township Library has appropriated \$107,702 of this amount for spending in the 2005 fiscal year budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the Hamburg Township Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Hamburg Township Library, 10411 Merrill Road, Hamburg, Michigan 48139.

BASIC FINANCIAL STATEMENTS

**HAMBURG TOWNSHIP LIBRARY**

**Statement of Net Assets**

**June 30, 2004**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash	\$ 1,485,168
Receivables (net of allowance for uncollectibles)	2,003
Prepaid Expenditures	3,566
Capital Assets (net of accumulated depreciation)	22,403
Total Assets	<u>1,513,140</u>
<b><u>LIABILITIES</u></b>	
Accounts Payable	18,359
Accrued Liabilities	3,111
Noncurrent Liabilities:	
Due within one year	-
Due in more than one year	13,343
Total Liabilities	<u>34,813</u>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, net of related debt	22,403
Unrestricted	1,455,924
Total Net Assets	<u>\$ 1,478,327</u>

**HAMBURG TOWNSHIP LIBRARY**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Governmental Activities:</u>					<u>Governmental Activities</u>
Recreation and Cultural	\$ 502,576	\$ 14,513	\$ 97,789	\$ -	\$ (390,274)
General Revenues:					
Property Taxes					365,228
State Shared Revenue					17,969
Unrestricted Investment Earnings					27,344
Total General Revenues					<u>410,541</u>
Change in Net Assets					20,267
Net Assets - Beginning					<u>1,458,060</u>
Net Assets - Ending					<u>\$ 1,478,327</u>

**HAMBURG TOWNSHIP LIBRARY**

**Balance Sheet**  
**Governmental Fund**  
**June 30, 2004**

	<u>General Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 1,485,168
Receivables (net of allowance for uncollectibles)	2,003
Prepaid Expenditures	<u>3,566</u>
Total Assets	\$ <u><u>1,490,737</u></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities:	
Accounts Payable	\$ 18,359
Accrued Liabilities	<u>3,111</u>
Total Liabilities	<u><u>21,470</u></u>
 Fund Balance:	
Unreserved	1,469,267
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,403
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(13,343)</u>
Net Assets of Governmental Activities	\$ <u><u>1,478,327</u></u>

**HAMBURG TOWNSHIP LIBRARY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2004**

	<b><u>General Fund</u></b>
<b><u>Revenues</u></b>	
Property Taxes	\$ 365,228
Intergovernmental - State	17,969
Charges for Services	2,750
Fines and Forfeitures	108,837
Interest	27,344
Other	715
Total Revenues	<u>522,843</u>
<b><u>Expenditures</u></b>	
Current:	
Recreation and Cultural	500,441
Capital Outlay	13,603
Total Expenditures	<u>514,044</u>
Net Change in Fund Balance	8,799
Fund Balance - Beginning	<u>1,460,468</u>
Fund Balance - Ending	<u>\$ 1,469,267</u>



**HAMBURG TOWNSHIP LIBRARY**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2004**

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balance - total governmental fund	\$ 8,799
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	12,870
Governmental funds report a liability for compensated absences only if they have matured. The long-term portion of compensated absences related to the governmental fund is a liability recorded in the Statement of Net Assets. This amount represents the net effect of differences in the treatment of long-term debt, such as compensated absences.	<u>(1,402)</u>
Change in net assets in governmental activities	\$ <u><u>20,267</u></u>

**HAMBURG TOWNSHIP LIBRARY**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2004**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 364,503	\$ 364,503	\$ 365,228	\$ 725
Intergovernmental - State	18,000	18,000	17,969	(31)
Penal Fines	78,000	78,000	97,789	19,789
Book Fines	3,200	3,200	11,048	7,848
Copies	600	600	2,064	1,464
Programs	350	350	686	336
Interest Income	16,900	16,900	27,344	10,444
Donations	300	300	576	276
Miscellaneous	240	240	139	(101)
Total Revenues	<u>482,093</u>	<u>482,093</u>	<u>522,843</u>	<u>40,750</u>
Expenditures:				
Salaries & Wages	273,389	273,389	240,090	33,299
Fringe Benefits	52,540	52,540	44,394	8,146
Office Supplies	28,577	28,577	16,645	11,932
Postage	5,128	5,128	6,177	(1,049)
Custodian/Cleaning	12,960	12,960	13,079	(119)
Secretary	312	312	313	(1)
Telephone	4,200	4,200	3,716	484
Utilities	32,512	32,512	27,381	5,131
Mileage	750	750	886	(136)
Travel	1,770	1,770	92	1,678
Workshops	1,690	1,690	1,196	494
Programs	14,461	14,461	11,861	2,600
Books	52,824	52,824	46,178	6,646
Magazines	2,160	2,160	1,896	264
Electronic Subscriptions	500	500	2,485	(1,985)
Audio	2,868	2,868	2,314	554
Music	840	840	486	354
Videos	2,904	2,904	2,402	502
Internet Service Fee	1,380	1,380	-	1,380
Dues & Memberships	505	505	2,445	(1,940)
Professional Fees	11,100	11,100	18,476	(7,376)
Printing & Publishing	10,075	10,075	12,667	(2,592)
Bank Fees	1,200	1,200	1,099	101
Miscellaneous	12,655	12,655	1,862	10,793
Equipment Maintenance	7,404	7,404	6,580	824
Repairs & Maintenance	4,279	4,279	6,525	(2,246)
Landscape Maintenance	4,415	4,415	6,633	(2,218)
Equipment	10,750	10,750	22,563	(11,813)
Capital Outlay	-	-	13,603	(13,603)
Total Expenditures	<u>554,148</u>	<u>554,148</u>	<u>514,044</u>	<u>40,104</u>
Net Change in Fund Balance	(72,055)	(72,055)	8,799	80,854
Fund Balance - Beginning	<u>1,460,468</u>	<u>1,460,468</u>	<u>1,460,468</u>	-
Fund Balance - Ending	\$ <u>1,388,413</u>	\$ <u>1,388,413</u>	\$ <u>1,469,267</u>	\$ <u>80,854</u>

HAMBURG TOWNSHIP LIBRARY  
Notes to Financial Statements  
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Library provides public library services to the residents of Hamburg Township, Michigan. As required by generally accepted accounting principles, these financial statements present the Hamburg Township Library, which is a component unit of Hamburg Township.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are activities which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

HAMBURG TOWNSHIP LIBRARY  
Notes to Financial Statements  
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
– Continued

Property taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Governmental Funds

The Library reports only one fund, which is the General Fund. The General Fund is the library's primary operating fund. It accounts for all financial resources of the library, except those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the library's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments are recorded at fair value.

2. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the governmental column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs

HAMBURG TOWNSHIP LIBRARY  
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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

2. Capital Assets – Continued

that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	10-15

3. Compensated Absences

In accordance with personnel policies adopted by the Library Board, employees earn sick and vacation time based on time of service with the Library. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental fund is a liability recorded in the Statement of Net Assets. The total liability at June 30, 2004 is \$13,343.

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this difference is as follows:

Compensated Absences Payable	<u>\$13,343</u>
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HAMBURG TOWNSHIP LIBRARY  
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II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -  
Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Depreciation Expense	\$ (733)
Capital Outlay	<u>13,603</u>
	<u>\$12,870</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the liability for compensated absences only if they have matured, whereas the change in the total liability is reported in the statement of activities." The change in compensated absences is as follows:

Compensated Absences	<u>\$ 1,402</u>
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

1. Prior to June 1, the Library Director submits a proposed operating budget for the ensuing fiscal year commencing July 1. The board adopts the budget at the total fund level.
2. Public hearings are held prior to adoption.
3. Prior to June 30, the budget is enacted by passage of a resolution.
4. Formal budget integration is employed as a management control device for the General Fund.

HAMBURG TOWNSHIP LIBRARY  
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

5. The budget for the General Fund is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Appropriations lapse at year end.
7. The Library Board may amend the budget during the year.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in the annual budget. In the body of the financial statements, the Library's actual expenditures and budgeted expenditures have been shown on a line item basis. The approved budget of the Library for the General Fund, which is the budgetary fund was adopted on the total fund level.

During the year ended June 30, 2004, the Library did not incur expenditures in excess of the amount appropriated.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Library is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits on the balance sheet are displayed as "Cash and Cash Equivalents".

The carrying amount of the Library's deposits with financial institutions at June 30, 2004 was \$1,485,168 and the bank balance was \$1,491,280 which is uninsured.

HAMBURG TOWNSHIP LIBRARY  
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IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, being depreciated:				
Buildings and Improvements	\$11,000	\$13,603	\$ -	\$24,603
Less: Accumulated Depreciation:				
Buildings and Improvements	<u>(1,467)</u>	<u>(733)</u>	<u>-</u>	<u>(2,200)</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,533</u>	<u>\$12,870</u>	<u>\$ -</u>	<u>\$22,403</u>

Depreciation expense was charged to functions/programs of the Library as follows:

Governmental Activities:	
Recreation and Cultural	<u>\$ 733</u>

C. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additional Debt Incurred</u>	<u>Retirements and Payments on Debt</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	<u>\$11,941</u>	<u>\$ 1,402</u>	<u>\$ -</u>	<u>\$13,343</u>	<u>\$ -</u>

D. Fund Balance Designations

A detailed description of fund balance designations at June 30, 2004, is presented below:

<u>Fund Balance</u>	<u>General Fund</u>
Unreserved:	
Designated for:	
Subsequent Year's Expenditures	\$ 107,702
Building Capital Facilities	
Development	432,605
Programs and Services	
Development	406,619
Undesignated	<u>522,341</u>
Total Fund Balance	<u>\$1,469,267</u>



HAMBURG TOWNSHIP LIBRARY  
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IV. DETAILED NOTES ON ALL FUNDS - Continued

E. Property Taxes

Property taxes are assessed as of each December 31. Taxes are billed the following December 1 and due the subsequent March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The Library's tax levy for the 2003 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

		<u>Date of Authorization</u>	<u>Maximum Authorized</u>	Less:	<u>Maximum Allowable Millage</u>	<u>Tax Levy</u>
<u>Source</u>	<u>Purpose</u>			<u>Required Reductions (State Law)</u>		
Voted	Operating	8/98	.5 mil	(.0415)	.4585	.4585

V. OTHER INFORMATION

A. Defined Contribution Plan

The Library provides all of its full-time employees with a defined contribution retirement plan provided through Hamburg Township and administered by Manulife Financial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Board resolution, the Library contributes 10 percent of employees' gross earnings annually to the plan. The plan may be amended by Board resolution. The Library's current year contribution was \$10,990 for the three full-time employees covered under the plan.

B. Risk Management

The Library, through Hamburg Township, is a member of the Michigan Municipal Risk Management Authority for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage, and pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with Hamburg Township Library and the pools to which it belongs in any of the past three fiscal years.

HAMBURG TOWNSHIP LIBRARY  
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V. OTHER INFORMATION - Continued

C. Subsequent Event

In August 2004, the Library analyzed the actual amount of sewer usage that the new library facility uses and compared it to the estimated amount that Hamburg Township has been billing the Library for the period of June 2001 through June 2004. Based on their analysis, the Library calculates that the Township has billed them \$9,775 more than the actual units during that period of time. The Library Board and the Township Board are currently in discussions regarding this matter, and the outcome has not been determined to date.